

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA DIVISION OF WATER AND AUDITS

RESOLUTION W-4954

October 3, 2013

R E S O L U T I O N

(RES. W-4954), DEL ORO WATER COMPANY, CALIFORNIA PINES DISTRICT (FORMERLY PINE MOUNTAIN DISTRICT AND PINE FLAT DISTRICT) ORDER AUTHORIZING AN INTERIM GENERAL RATE INCREASE, SUBJECT TO REFUND, PRODUCING ADDITIONAL ANNUAL REVENUE OF \$37,358 FOR TEST YEAR 2011, AND \$14,893 FOR ESCALATION YEAR 2012.

SUMMARY

Del Oro Water Company filed Advice Letter 315-A, on December 7, 2011, seeking to increase water service rates in its Pine Flat District and Pine Mountain District to recover increased operating expenses and earn a reasonable return on its plant investment. Del Oro Water Company also requests to consolidate the two districts and place them under the same rate schedule.

For Test Year 2011, this resolution grants an interim increase in gross annual revenues, subject to refund, of \$37,358, or 25.1%, over the revenues produced under current rates, to provide a return on ratebase of 9.19%, and additional interim revenue of \$14,893, subject to refund, or 10%, for Escalation Year 2012, to provide a return on ratebase of 10.80% for the consolidated California Pines District. This resolution grants Del Oro Water Company's request to consolidate Pine Flat and Pine Mountain Districts into one, the California Pines District, but recommends separate rate structures be maintained for each service area until the next general rate case.

This resolution also finds and discusses issues of concern to the Division of Water and Audits with Del Oro Water Company's affiliate transactions. In order to resolve affiliate transaction matters this resolution orders Del Oro Water Company to file an application to determine the reasonableness of general office costs and affiliated transactions charged to Del Oro Water Company ratepayers.

BACKGROUND

Del Oro Water Company (DOWC) is a Class B multi-district water utility providing water service to 17 districts throughout the state including the Pine Flat District (Pine Flat) and Pine Mountain District (Pine Mountain). Pine Flat and Pine Mountain are adjacent utilities located approximately two miles southeast of California Hot Springs in

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

Tulare County. The combined districts serve approximately 288 metered customers, with 193 served by Pine Flat, and 95 by Pine Mountain. The customer base is comprised of a mix of vacation homes and permanent residents, of which many are retirees. Currently, Pine Flat and Pine Mountain's customers are supplied with water pumped from three wells: Barn Well, Meadow Well, and Well 5. Pine Mountain's Barn and Meadow Wells are contaminated. Well 5 is a new well added in 2010 and primarily developed to address Pine Flat's chronic water shortage in compliance with the Department of Public Health (DPH)'s first compliance order, No. 03-12-040-003.

Pine Flat has relied on purchased water from Pine Mountain - the smaller of the two districts - by way of an intertie. Since purchasing these systems in 2004, DOWC has replaced and upgraded the intertie which was undersized and a source of numerous leaks. This offered the added benefit of addressing capacity issues chronically experienced by Pine Flat, and identified by one of two compliance orders issued by the DPH since 2003.

The second DPH compliance order, issued in 2009, identified water quality issues with Pine Mountain's wells, and required treatment for contaminants. Treatment facilities are generally expensive propositions, especially for districts like Pine Mountain where high costs are borne by a small customer base. Considering the water quality issues faced by Pine Mountain, Resolution (Res.) W-4814, issued December 17, 2009, ordered DOWC to "propose consolidation of the Pine Mountain and Pine Flat Districts in its next general rate proceeding involving either or both districts."

Although Pine Flat and Pine Mountain are currently treated as two separate districts for ratemaking purposes, the systems are operated as one from the same water supply. Additionally, due to the common ownership and physical interconnection, DPH considers Pine Flat and Pine Mountain to be one system. However, in order to allocate costs to the two districts, DOWC uses an allocation factor for the assignment of new plant of 70% for Pine Flat and 30% for Pine Mountain. This allocation methodology was used in the last two rate base offsets for the districts, authorized by Res. W-4638, April 12, 2007, and Res. W- 4861, January 13, 2011.

DOWC has requested authority under General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase the revenues for its combined Pine Flat and Pine Mountain Districts by \$78,962, or 53.12%, for Test Year (TY) 2011. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. DOWC's request shows 2011 gross revenues of \$148,646 at present rates, increasing to \$227,607 at proposed rates at a rate of return of 10.80%.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

Pursuant to Ordering Paragraph Three of Res. W-4814, issued December 17, 2009, requiring DOWC to "propose consolidation of the Pine Mountain and Pine Flat Districts in the next general rate proceeding involving either or both districts," DOWC proposes to consolidate the two districts and place them under the same rate. Due to a variety of factors that contribute to a rate differential between the two districts, DOWC's consolidation proposal coupled with its rate increase request would result in Pine Flat's customers experiencing a rate increase of 34.08%, while Pine Mountain would experience a rate increase of 108%. To avoid the potential for rate shock, DOWC proposed to phase-in the increase for Pine Mountain's customers over two years, to recover 70% of the increase in the first year and 30% in the second.

The present rates were established on November 29, 2011, pursuant to Advice Letter (AL) No. 314, which authorized an interim rate increase of 1.5%. The last general rate case (GRC) for Pine Flat was granted on January 21, 2010, pursuant to Res. W-4822, which granted an increase in revenues of \$26,486, or 28.2%, for TY 2009. The last GRC for Pine Mountain was granted on December 17, 2009, pursuant to Res. W-4814, which granted an increase in revenues of \$4,878, or 9.3%, for TY 2009.

NOTICE AND PROTESTS

In accordance with General Order 96-B DOWC filed AL 315-A as a Tier 3 AL on December 5, 2011. A notice of the proposed rate increase and the associated public meeting was mailed to DOWC's Pine Flat and Pine Mountain customers on December 21, 2011.

An informal public meeting was held on Thursday, January 26, 2012 at 6:30 PM at the Mountaintop Community Church located in California Hot Springs, CA, with 35 people in attendance. Staff from the Division of Water and Audits (DWA) opened the meeting and explained the purpose of the meeting along with the Commission's rate setting procedures. DOWC's representatives, Senior Vice President Paul Matulich, and Director of Corporate Accounting Janice Hanna, reviewed and explained the rate increase request. DWA staff and DOWC's representatives jointly answered customer questions.

The vast majority of the Pine Mountain customers in attendance opposed the magnitude of the increase and/or consolidation. Many customers also disagreed with the application of a basic readiness-to-serve charge, which as explained later, is a fundamental principle of cost-of-service ratemaking as practiced by the Commission. Lastly, others expressed concern that their conservation efforts to reduce water consumption are now partially responsible for the rate increase request.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

Five customers submitted letters within the required protest period, which DWA staff extended at the public meeting to provide customers more time to voice concerns. During the extended protest period DWA received letters from two customers and an additional 53 who signed a letter by the California Pines District Water Committee, representing some of the district's customers. The letters echoed the same concerns presented at the public meeting, and additionally requested assistance for low-income customers. In its recommendation, DWA has considered all of the customers' concerns, as discussed further in the section below.

DISCUSSION

DWA has conducted an independent analysis of Pine Flat and Pine Mountain's operations.

- Appendix A shows DOWC's and DWA's estimated summary of earnings at present and proposed rates for TY 2011 and Escalation Year (EY) 2012.
- Appendix B provides DWA's interim recommended rates for TY 2011 and EY 2012.

DOWC agrees with the interim revenue requirement and recommended rates as proposed by DWA. The Division recommends that the Commission approve the rate increases and resulting rates included in Appendix B.

Consolidation

Pine Flat and Pine Mountain are not only under DOWC's common ownership, but are also now operationally one system. These districts are adjacent to one another and physically interconnected with water supplied from one shared source. These characteristics have led DPH to treat the two systems as one for regulatory purposes. Furthermore chronic water shortage, water quality and cross subsidization have created a circumstance of interdependence between the two systems.

As DOWC's engineers documented in a letter¹ to the DPH, it now appears that the conservation measures implemented by DOWC have reduced the districts' water demand to a level at which Well No. 5 may have sufficient capacity to supply both districts without using Pine Mountain's contaminated wells. Pending further

¹ Ludhorf and Scalmanini letter to Linda Ramirez, Department of Public Health, dated April 5, 2012, re: compliance orders 03-12-040-003 and 03-12-090-017.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

monitoring and response from DPH, this finding may mean that the treatment facility is no longer necessary. The cost of all the capital improvements since DOWC purchased the systems in 2004, including Well No. 5 and associated improvements, have been allocated to the districts based on the number of customers served by each district: i.e., 70% to Pine Flat and 30% to Pine Mountain.

Ultimately, in the absence of Pine Mountain, Pine Flat may not have secured a viable water supply and conversely, without Pine Flat, Pine Mountain's 95 customers would be required to assume the full cost of a treatment facility and/or the new well, potentially resulting in significantly higher rates. Although Pine Flat's customers have been assuming a portion of Pine Mountain's rate base and capital improvements since 2004, including the cost of Well 5, they also continue to incur the cost of purchased water from Pine Mountain as an operating expense included in rates.

Considering the issues faced by both districts and the mutual benefit that may be realized, DOWC should be authorized to consolidate Pine Mountain and Pine Flat into the proposed singular California Pines district.

Rate Phase-In for Pine Mountain

DOWC's proposed increase to Pine Mountain's rates is higher than that of Pine Flat's primarily due to 1) the removal from rates of the revenue it receives from water sales to Pine Flat, accounting for almost 25% of Pine Mountain's TY 2009 revenue requirement, and 2) the dramatic reduction in its customers' water consumption, resulting in a reduction of over 50% from the sales estimated to set rates in TY 2009. The current average bill for a Pine Mountain customer with a 5/8 x 3/4-inch hookup today is 18% lower than that estimated for TY 2009. However, it is no longer reasonable to charge Pine Flat for purchased water, as its customers already pay 70% of costs for both districts' primary water source (Well 5), as well as 70% of all other related improvements. Additionally, it is this level of water conservation that may result in Pine Mountain no longer requiring treatment facilities for its wells, which would otherwise result in much higher rates for Pine Mountain.

To mitigate the impact that the general rate increase combined with the rate consolidation may have on Pine Mountain's customers, DOWC proposed to phase-in the rate increase for that district over two years: 70% the first year and the remaining 30% the second year. The proposed phase-in yields a rate of return of 6.93% in the first year, reduced from 10.8%. DWA accepts a two year phase-in in lieu of a more gradual three year phase-in based on the following conditions agreed to by DOWC:

- a) The rate increases for TY 2011 and EY 2012 will be phased-in over two years.
- b) DOWC's rate of return is reduced for TY 2011, the first year of the phase-in, to 9.19%.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

- c) DOWC will not request recovery of the Consumer Price Index (CPI) offsets for EY 2012;
- d) DOWC will be required to file a Tier 2 advice letter on or before November 20, 2013, in order for the 2012 escalation rates to be made effective on January 1, 2014.

To avoid rate shock, DWA's recommended revenue requirement for TY 2011 and Escalation Year 2012, shown in Appendix A, represents an approximately equal distribution of the total average bill increase for Pine Mountain over that district's average bill at present rates. The recommended phase-in results in 78% of Pine Mountain's portion of the recommended revenue requirement recovered in the first year (TY 2011), and 100% in the second (EY 2012). The recommended rate of return for the combined districts is 9.19% for TY 2011 and 10.8% for EY 2012.

To further mitigate rate shock, DWA also recommends that certain rate design differences be maintained between Pine Flat and Pine Mountain until its next GRC. This is further discussed under rate design.

Allocation of Corporate Expenses

DOWC proportionally allocates the following expenses for its corporate operations among its 17 districts, based on the percentage of customers in each district relative to the total number of customers in all of its districts:

- management, superintendent, and office salaries and benefits;
- office rental and supplies;
- professional services; and
- property insurance.

DOWC allocates 3.54% of these expenses to the California Pines District (2.38% for Pine Flat plus 1.17% for Pine Mountain). DWA reviewed the cost allocation applied to the California Pines District and concurs with the percentage. DWA reviewed all corporate expenses and recommends a lower amount be allocated to expense categories listed above. DWA's recommendation is based on 1) the exclusion of two positions, an engineer and a public relations person, that are unjustified for the size of the districts; 2) actual payroll costs, both salary and benefits, incurred in 2011; and 3) adjustments for affiliate transactions, discussed below.

DOWC Affiliate Transactions

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

As the result of recent information received from DOWA, DWA discovered that DOWC has not been properly reporting, accounting, and allocating costs for all transactions with its affiliate entities or for provisions of non-tariffed services,² as is required.

Decision (D.) 10-10-019 adopted “standard rules for all Class A and B water and sewer utilities regarding affiliate transactions and the use of regulated assets and personnel for non-tariffed utility products and services” (Affiliate Transaction Rules), effective as of January 17, 2011. The rules define affiliate transactions and related costs, and prescribe policies and requirements to ensure that affiliate transactions do not adversely affect utility operations and service quality; that ratepayers of the utility do not subsidize affiliates of the utility; that adequate compensation for shared costs and pricing of goods and services between the utility and its affiliates is established; that the financial health of the utility is maintained; and that effective regulatory oversight is implemented by utility submittal of affiliate transaction compliance plans and annual reports, in addition to performance of an independent audit every two years.

DOWC operates under a parent company structure. UMS is DOWC's parent company. The Safor Corporation (Safor), a real estate holdings company, is another affiliate from which DOWC leases office space and office equipment, and procures other services such as “bill processing”. Despite DOWC’s omission of affiliate transactions in its rate request, DWA learned that UMS also offers non-tariffed services, such as leak protection insurance, to DOWC’s customers, and operation and management services to other water utilities, while utilizing DOWC personnel and assets to provide such services. UMS has no employees of its own. Safor and UMS utilize DOWC personnel to fulfill management, office, accounting, and financial duties. The transactions listed above fall under the Affiliate Transaction Rules.

DOWC reported receiving \$15,915 in compensation for services provided to its affiliates for six months of 2011; however, DOWC was providing those services for the entirety of 2011 and was also providing them in 2010.

The methodology DOWC used to calculate employee compensation for 2011 neither accounted for direct overhead costs including payroll benefits (health, vision, dental

² Although DOWC’s responses to DWA’s data requests assert that the management and operation of Ducor Community Services District (Ducor), a non-Commission regulated water utility, is performed by Utility Management Services (UMS), DOWC’s parent company, UMS has no employees and all related duties are performed by DOWC personnel. Ducor’s operation and maintenance contract shows DOWC as one of the parties entering the service agreement.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

and 401K), nor included compensation for shared costs such as office space, equipment and supplies, professional services, and liability insurance, all of which are used, at the very least, for some affiliate activities related to non-tariffed service offerings such as management of non-Commission regulated utilities.³ DWA's recommended rates account for compensation from DOWC's affiliates with an adjusted calculation to account for all of the omitted costs listed above, and to account for a full year of compensation for affiliate transaction activities. The adjusted calculation used by DWA uses fully loaded costs plus the applicable percentage for clerical and management costs.⁴ It is unclear for how long DOWC has been uncompensated for its affiliate's activities.

DWA had difficulties obtaining clear information on DOWC's transactions with its affiliates or details on all the services offered by its affiliate to ensure the reasonableness of general cost allocations between DOWC and the affiliate entities. DWA also had trouble finding the reasonableness on the level of 1) compensation payable to DOWC for costs that should be allocated to the affiliate entities, and 2) pricing of services offered to or purchased from DOWC.

DWA reviewed DOWC's required Compliance Plan,⁵ submitted upon DWA's request during this inquiry, along with its Affiliate Transaction Procedures, and found that the Compliance Plan only contains statements affirming that DOWC has mechanisms, policies, and procedures in place to comply with the rules, while the procedures submitted appear to be copied from an energy utility's procedures with many items either not applicable to DOWC, incomplete, or in practice not carried out by DOWC.⁶ DOWC was also delinquent in submitting an annual Affiliate Transaction Report to the Commission, as required.⁷ This report should, among other items, "list affiliates and their purposes or activities, and a description of the procedures in place to assure compliance with the rules."

³ For example, DOWC added Ducor Community Services, a non-Commission regulated water utility it manages to DOWC's general property and liability insurance policy.

⁴ Affiliate Transaction Rule IV.D.3

⁵ Affiliate Transactions Rule VIII.C

⁶ For example, for Rule IV.B, DOWC's Compliance Plan states that "All [common costs among utility, its parent and other affiliates] are reviewed and approved in each of DOWC's general rate cases." However, these were not, and have not been part of any recent DOWC rate case.

⁷ Affiliate Transaction Rule VIIF

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)
ITEM #2

As asserted by the Commission in D.10-10-019, “ensuring reasonable rates requires that the relationship between the utility and its affiliates be transparent, and that the regulated revenue requirement is not the source of funding for competitive or unregulated ventures.” DOWC’s practices, compliance plans, and lack of reporting do not comport with the goal stated above, and because of the current lack of reporting and information, DWA is concerned that ratepayers may be subsidizing DOWC’s affiliates.

On April 26, 2013, DOWC submitted its Affiliate Transaction Report as required by D.10-10-019. The report lists labor hours expended by DOWC employees on affiliate related work, including hours spent by DOWC management employees. For management employees, the report states that 2.88% of their time is spent on affiliate related work. In response, DWA has assigned 2.88% of management hours to the DOWC affiliated companies and reduced DOWC’s expenses accordingly. However, DWA is concerned that the reported percentages do not properly reflect affiliate activities. Therefore, due to difficulties obtaining clear information and the limited time and resources available within the informal advice letter process we find it more appropriate to segregate the review of DOWC’s affiliate transactions, general office and non-tariffed goods and services. This is necessary to assure that the 17 regulated districts that comprise DOWC are only bearing those costs necessary for their individual operation and not subsidizing the DOWC affiliated companies.

We will therefore require DOWC to file an application for review of its general office, affiliate transactions and non-tariffed goods and services within 60 days of the effective date of this resolution. The findings of that proceeding will set forth the adopted quantities and allocation factors to be used in future ratemaking proceedings therefore alleviating the necessity to conduct this review for each individual district that DOWC files a general rate case for. The rates in this and any future general rate case completed before the application for review of general office, and affiliated transactions is resolved, will be considered “interim rates” and subject to refund based on the finding of the application. Also, we will require DOWC to review and revise its Affiliate Transactions Compliance Plan and procedures to ensure accuracy and completeness, including substantial verifiable information of compliance, and file this Compliance Plan and procedures with DWA within 60 days of the effective date of this resolution.

Operating Expenses

DWA reviewed revenues and expenses that are directly related to the operations of Pine Flat and Pine Mountain, and verified the operating expenses by reviewing annual reports, accounting records, and supporting documents for substantiation and accuracy, and included the amounts for ratemaking that it deemed reasonable and prudent.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

DWA finds DOWC's estimate for Materials, Transportation, Uncollectibles, and Regulatory Commission Expenses reasonable. DOWC based those estimates on actual costs incurred in TY 2011, trends observed from 2008-2010 records, and/or the size of the districts. DWA's estimate of operating expenses, with the exception of purchased power, employee labor, management salaries, office salaries, employee benefits, and insurance costs, is based on recorded data from years 2008-2010, with an escalation factor for TY 2011.

Consistent with the reduction in water consumption since the last GRC, chemical expenses for water treatment have also declined. DWA's recommended allowance for Other Volume Related expenses are consistent with this reduction in costs and reflect this continued downward trend.

Based on records from 2008-2010 plus an escalation factor, DWA concurs with DOWC's request for the general contract work portion of costs in its request. DWA separated its recommendation for water testing costs as these can vary greatly from year. As water utilities have balancing account protection for these costs, DWA's recommendation is based on the lower cost years. Similarly, DWA disallowed DOWC's general expense request as it consists of DPH system fees that the utility has or is recovering through balancing account treatment.

DWA's recommendations for employee labor, office salaries, management salaries, employee pension and benefits, and insurance costs were based on actual incurred and verified costs for 2011, and calculated using the adjusted cost allocation of corporate costs described earlier in this resolution. The field technician responsible for these systems also splits time with two more districts nearby. DWA's recommendation accounts for the appropriate allocation of his time throughout the four districts based on the respective customer size.

DWA's recommended allowance for office services and rentals, office supplies and expenses, and professional services, utilized the adjusted cost allocation for corporate expenses.

Ratebase

DOWC's ratebase request includes an additional \$7,500 being added to plant-in-service. DWA reviewed the request and disallowed \$4,429 of plant-in-service corresponding to interest previously included in rates by Res. W-4861, issued January, 13, 2011, which authorized a ratebase offset for \$269,884 of water plant additions to Pine Flat and Pine Mountain.

DOWC also requests inclusion in ratebase of \$40,945 of construction work-in-progress consisting of electrical work performed to hook up Well 5 to a permanent electrical

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

connection, fence construction, and engineering service for work on a State Revolving Fund (SRF) application for a treatment plant. Due to the effective conservation measures and positive test results obtained from Well 5, DOWC proposed in its letter to DPH to defer the “financing, bidding, construction, and commissioning of the treatment plant” until further data is collected, with recommendations to be made in a report to DPH in September of 2013.

As the necessity of the treatment facility is now uncertain, DOWC has not submitted the corresponding SRF application. The \$8,269 DOWC incurred in 2010 for engineering costs to develop the SRF application should not be added to ratebase. These costs are part of DOWC’s compliance with DPH Orders and DOWC should instead transfer those SRF application costs incurred in 2010 from the Construction Work in Progress (CWIP) account to a separate and clearly identified subaccount of the districts’ water quality balancing account. DOWC should be required to file revised 2010, 2011, and 2012 Annual Reports to the Commission, and should be authorized to file a Tier 1 Advice Letter for surcharge recovery of the \$8,269 via a 24 month surcharge. Within 5 days of submitting to DPH the report with the monitoring results for Well 5, including its recommendations, DOWC should submit a copy of the report to DWA.

Revenue Requirement and Rate of Return

DOWC, a Class B utility, requested a Rate of Return of 10.80%. The Commission has found the 10.8% rate reasonable for DOWC in previous Test Year 2011 rate cases, including the Paradise Pines GRC, by Res. W-4896, dated January 12, 2012. At DOWC’s requested rate of return, DWA calculates a revenue requirement of \$201,089 for EY 2012. With the two-year phase in, the revenue increases will yield a rate of return of 9.19% in TY 2011 and 10.80% by EY 2012.

Rate Design

Pine Flat and Pine Mountain’s rate structures consist of one rate schedule each: Pine Flat District Annual General Metered Service (PF-1A); and Pine Mountain District Annual General Metered Service (PM1-A). Each district provides metered service under a single quantity rate.

Although each utility only offers one rate, each district’s rate is structured differently, so that Pine Flat’s rate recovers 66% of fixed costs in the service charge and Pine Mountain’s recovers 50%. DOWC proposes to place both districts under the same rate schedule with a service charge that recovers 73% of fixed costs. DWA finds that the proposed rate is inconsistent with DWA policy, and may undermine conservation efforts by reducing the variable rate, thus sending the wrong price signal to customers.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

Although DWA recommends consolidation of revenue requirements for these districts, it recommends that the independent rate structures be preserved until the next GRC.

At DWA's recommended rates, shown in Appendix B, the increase in revenue for the California Pines District will be \$37,358, or 25.1%, for TY 2011, and \$14,893, or 10%, for EY2012. At the recommended rates for TY 2011, the monthly bill for a 5/8 x 3/5-inch metered customer using the historical average consumption in each district of 2.5 Ccf in Pine Flat and 3.5 Ccf in Pine Mountain (one Ccf is equal to one hundred cubic feet) will result in an average increase from \$47.26 to \$57.01, or 20.6%, in TY 2011 for Pine Flat and from \$33.54 to \$46.32, or 38.11%, for TY 2011, and from \$46.32 to \$59.38, or 38.95%, in EY 2012 for Pine Mountain. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

COMPLIANCE

DOWC's Pine Flat and Pine Mountain systems are currently under DPH Compliance Orders No. 03-12-040-003 and No. 03-12-090-007, which addresses the chronic water shortage and elevated levels of gross alpha ,uranium, iron, and manganese contaminates found in Pine Mountain's Wells. DOWC is working toward compliance.

DOWC has submitted the required Affiliate Transaction Annual Reports for years 2010 and 2011, as required by the Affiliate Transaction Rules adopted under Appendix A of D. 10-10-019. A revised Affiliate Transaction Compliance Plan and Procedures is required and should be submitted within 60 days of the adoption of this resolution.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the utility, all protestants (whether or not they filed timely protests), and those requesting service at the public meeting, and made available for public comment on June 18, 2013. No comments were received.

FINDINGS

1. Del Oro Water Company (DOWC) is a Class B multi-district water utility providing water service to 17 districts throughout the state including the Pine Flat District (Pine Flat) and Pine Mountain District (Pine Mountain).

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

2. DOWC filed Advice Letter (AL) 315-A on December 7, 2011, seeking to increase water service rates in its Pine Flat and Pine Mountain.
3. DOWC also requests to consolidate the two districts and to place them under the same rate schedule.
4. DOWC has requested authority under General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase the revenues for its combined Pine Flat and Pine Mountain Districts by \$78,962, or 53.12%, for Test Year (TY) 2011.
5. DOWC's request shows 2011 gross revenues of \$148,646 at present rates, increasing to \$227,607 at proposed rates, at a rate of return of 10.80% by Escalation Year (EY) 2012.
6. The last general rate case (GRC) for Pine Flat was granted on January 21, 2010, pursuant to Resolution (Res.) W-4822, which granted an increase in revenues of \$26,486, or 28.2%, for TY 2009.
7. The last GRC for Pine Mountain was granted on December 17, 2009, pursuant to Res.W-4814, which granted an increase in revenues of \$4,878, or 9.3%, for TY 2009.
8. Res. W-4814, issued December 17, 2009, required DOWC to propose consolidation of the Pine Mountain and Pine Flat Districts in the next general rate proceeding of either district.
9. DWA recommends the requested Rate of Return of 10.80% for DOWC as a Class B utility.
10. Consistent with its Affiliated Transaction Report, DOWC allocates 2.88% of management salaries to affiliated costs and therefore these costs are not included in adopted rates.
11. DOWC should file an application, within 60 days of the effective date of this resolution, to review the reasonableness of its general office, affiliate transactions and non-tariffed goods and services charged to DOWC ratepayers.
12. DOWC should file a revised Affiliate Transactions Compliance Plan and Procedures with DWA within 60 days of the effective date of this resolution.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

13. DWA recommends gross revenues of \$201,089 for EY 2012, or a reduction of \$26,518 from the DOWC request.
14. The Division of Water and Audits (DWA) recommends approval of the interim rate increases and resulting rates included in Appendix B.
15. DOWC agrees with the interim revenue requirement and recommended rates as proposed by DWA.
16. DOWC should be authorized to consolidate Pine Mountain and Pine Flat into the proposed California Pines district.
17. To avoid rate shock, DWA recommends consolidation of revenue requirements with independent rate structures being preserved until the next GRC.
18. The rate increases for TY 2011 and EY 2012 will be phased-in over two years.
19. DOWC's rate of return will be reduced for TY 2011, the first year of the phase-in, to 9.19%.
20. DOWC will not request recovery of the Consumer Price Index offset for EY 2012.
21. DOWC will be required to file a Tier 2 advice letter on or before November 20, 2013, in order for the 2012 escalation rates to be made effective on January 1, 2014.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to DOWC to file a Tier 1 supplemental advice letter with the revised rate schedule attached to this Resolution as Appendix B, and concurrently to cancel its currently effective rate Schedule No. CP-1A and CP-1B. The effective date of the revised schedules shall be five days after the date of filing.
2. DOWC is authorized to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from November 29, 2011, the interim rate date, to the effective date of the new rates established in this Resolution. This advice letter shall become effective upon approval by Staff of the Division of Water and Audits.
3. DOWC shall file a Tier 1 advice letter on or before November 20, 2013, in order for the 2012 escalation rates to be made effective on January 1, 2014.
4. DOWC shall file an application, within 60 days of the effective date of this resolution, to review the reasonableness of its general office, affiliate transactions and non-tariffed goods and services charged to DOWC ratepayers.
5. DOWC shall file a revised Affiliate Transactions Compliance Plan and Procedures with the Director of DWA within 60 days of the effective date of this resolution.
6. This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 3, 2013. The following Commissioners approved it.

PAUL CLANON
Executive Director

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX A

Sheet 1

Del Oro Water Company - California Pines District

Summary of Earnings

Test Year 2011

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		<u>Recommended Rates</u>
	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Present Rates</u>	<u>Requested Rates</u>	
<u>Operating Revenue</u>					
Metered Water Revenue	\$148,646	\$203,730	\$148,838	\$ 186,195.78	\$186,196
Total Operating Revenue	\$148,646	\$203,730	\$148,838	\$ 186,195.78	\$186,196
<u>Operating Expenses</u>					
Purchased Water	\$0	\$0	\$0	\$0	\$0
Purchased Power	\$6,329	\$6,329	\$5,828	\$5,828	\$5,828
Other Volume Related Expenses	\$681	\$681	\$439	\$439	\$439
Employee Labor	\$19,676	\$19,676	\$15,151	\$15,151	\$15,151
Materials	\$2,841	\$2,841	\$2,841	\$2,841	\$2,841
Contract Work	\$2,044	\$2,044	\$801	\$801	\$801
Water Testing	\$0	\$0	\$1,000	\$1,000	\$1,000
Transportation Expenses	\$15,529	\$15,529	\$15,529	\$15,529	\$15,529
Other Plant Maintenance	\$0	\$0	\$0	\$0	\$0
Office Salaries	\$23,850	\$23,850	\$17,908	\$17,908	\$17,908
Management Salaries	\$4,535	\$4,535	\$4,193	\$4,193	\$4,193
Employee Benefits	\$18,470	\$18,470	\$12,325	\$12,325	\$12,325
Uncollectibles Expense	\$467	\$467	\$467	\$467	\$467
Office Services & Rentals	\$3,792	\$3,792	\$3,768	\$3,768	\$3,768
Office Supplies & Expenses	\$8,834	\$8,834	\$8,718	\$8,718	\$8,718
Professional Services	\$713	\$713	\$700	\$700	\$700
Insurance	\$3,013	\$3,013	\$2,934	\$2,934	\$2,934
Regulatory Commission Expense	\$333	\$333	\$333	\$333	\$333
General Expenses	\$5,281	\$5,281	\$0	\$0	\$0
Subtotal	\$116,388	\$116,388	\$92,935	\$92,935	\$92,935
Depreciation	\$15,526	\$15,526	\$15,415	\$15,415	\$15,415
Taxes other than Income	\$4,089	\$4,089	\$4,300	\$4,300	\$4,300
Income Taxes	\$2,896	\$25,018	\$8,147	\$18,262	\$18,262
Interest	\$0	\$0	\$0	\$0	\$0
Total Deductions	\$138,899	\$161,021	\$120,798	\$130,913	\$130,913
Net Revenue/Operating Margin	\$9,747	\$42,709	\$28,040	\$55,283	\$55,283
<u>Rate Base</u>					
Average Plant	\$650,128	\$650,128	\$ 645,699	\$ 645,699	\$ 645,699
Ave. Accumulated Depreciation	\$ 63,763	\$ 63,763	\$ 68,348	\$ 68,348	\$ 68,348
Net Plant	\$586,365	\$586,365	\$577,351	\$577,351	\$577,351
Less Advances	\$0	\$0	\$0	\$0	\$0
Contributions	\$0	\$0		\$0	\$0
Plus Working Cash	\$9,699	\$9,699	7,745	7,745	7,745
Construction Work in Progress	\$20,472	\$20,472	16,338	16,338	16,338
Rate Base:	\$616,536	\$616,536	\$601,434	\$601,434	\$601,434
<u>Rate of Return</u>	1.58%	6.93%	4.66%	9.19%	9.19%

(cont.)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX A

Del Oro Water Company - California Pines District

Summary of Earnings

Escalation Year 2012

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		<u>Recommended</u>
	<u>Present</u>	<u>Requested</u>	<u>Present</u>	<u>Requested</u>	
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
<u>Operating Revenue</u>					
Metered Water Revenue	\$148,646	\$227,607	\$148,838	\$ 201,089.14	\$201,089
Total Operating Revenue	\$148,646	\$227,607	\$148,838	\$ 201,089.14	\$201,089
<u>Operating Expenses</u>					
Purchased Water	\$0	\$0	\$0	\$0	\$0
Purchased Power	\$6,329	\$6,329	\$5,828	\$5,828	\$5,828
Other Volume Related Expenses	\$681	\$681	\$439	\$439	\$439
Employee Labor	\$19,676	\$19,676	\$15,151	\$15,151	\$15,151
Materials	\$2,841	\$2,841	\$2,841	\$2,841	\$2,841
Contract Work	\$2,044	\$2,044	\$801	\$801	\$801
Water Testing	\$0	\$0	\$1,000	\$1,000	\$1,000
Transportation Expenses	\$15,529	\$15,529	\$15,529	\$15,529	\$15,529
Other Plant Maintenance	\$0	\$0	\$0	\$0	\$0
Office Salaries	\$23,850	\$23,850	\$17,908	\$17,908	\$17,908
Management Salaries	\$4,535	\$4,535	\$4,193	\$4,193	\$4,193
Employee Benefits	\$18,470	\$18,470	\$12,325	\$12,325	\$12,325
Uncollectibles Expense	\$467	\$467	\$467	\$467	\$467
Office Services & Rentals	\$3,792	\$3,792	\$3,768	\$3,768	\$3,768
Office Supplies & Expenses	\$8,834	\$8,834	\$8,718	\$8,718	\$8,718
Professional Services	\$713	\$713	\$700	\$700	\$700
Insurance	\$3,013	\$3,013	\$2,934	\$2,934	\$2,934
Regulatory Commission Expense	\$333	\$333	\$333	\$333	\$333
General Expenses	\$5,281	\$5,281	\$0	\$0	\$0
Subtotal	\$116,388	\$116,388	\$92,935	\$92,935	\$92,935
Depreciation	\$15,526	\$15,526	\$15,415	\$15,415	\$15,415
Taxes other than Income	\$4,089	\$4,089	\$4,300	\$4,300	\$4,300
Income Taxes	\$2,896	\$25,018	\$8,147	\$23,483	\$23,483
Interest	\$0	\$0	\$0	\$0	\$0
Total Deductions	\$138,899	\$161,021	\$120,798	\$136,134	\$136,134
Net Revenue/Operating Margin	\$9,747	\$66,586	\$28,040	\$64,955	\$64,955
<u>Rate Base</u>					
Average Plant	\$650,128	\$650,128	\$ 645,699	\$ 645,699	\$ 645,699
Ave. Accumulated Depreciation	\$ 63,763	\$ 63,763	\$ 68,348	\$ 68,348	\$ 68,348
Net Plant	\$586,365	\$586,365	\$577,351	\$577,351	\$577,351
<u>Less Advances</u>	\$0	\$0	\$0	\$0	\$0
Contributions	\$0	\$0	\$0	\$0	\$0
Plus Working Cash	\$9,699	\$9,699	7,745	7,745	7,745
Construction Work in Progress	\$20,472	\$20,472	16,338	16,338	16,338
Rate Base:	\$616,536	\$616,536	\$601,434	\$601,434	\$601,434
<u>Rate of Return</u>	1.58%	10.80%	4.66%	10.80%	10.80%

(END OF APPENDIX A)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX B

Page 1

Del Oro Water Company
California Pines District -Pine Flat Service Area

Schedule No. CP--1A
ANNUAL GENERAL METERED SERVICE
TEST YEAR 2011

APPLICABILITY

Applicable to all metered water service furnished to the portion of the Pine Flat service area of the California Pines District.

TERRITORY

The unincorporated community known as Pine Flat, and vicinity, located approximately two miles southeast of California Hot Springs, Tulare County.

RATES

Quantity Rates:

For all water, per 100 cu.ft.	\$	9.26	(I)
-------------------------------	----	------	-----

Service Charge:

For	5/8 x 3/4-inch meter	\$	33.89	(I)
For	3/4-inch meter	\$	50.83	
For	1-inch meter	\$	84.72	
For	1-1/2-meter	\$	169.45	
For	2-inch meter	\$	271.12	
For	3-inch meter	\$	508.35	
For	4-inch meter	\$	847.24	
For	6-inch meter	\$	1694.48	(I)

This Service Charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12 month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the residents may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The established billing cycle for water used is monthly.

(cont.)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX B

Page 2

Del Oro Water Company
California Pines District –Pine Flat Service Area

Schedule No. CP-1A
ANNUAL GENERAL METERED SERVICE
TEST YEAR 2011

SPECIAL CONDITIONS

3. The opening bill for the meter service, except upon conversion from flat rate service shall be established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continues for at least one year after the date of the initial service, no refund of the initial annual charges shall be due the customers.
4. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
5. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
6. A late charge will be imposed per Schedule No. LC.

(cont.)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX B

Page 3

Del Oro Water Company
California Pines District - *Pine Mountain Service Area*

Schedule No. CP – 1B
ANNUAL GENERAL METERED SERVICE
TEST YEAR 2011

APPLICABILITY

Applicable to all metered water service furnished to the portion of the Pine Mountain service area of the California Pines District.

TERRITORY

The unincorporated community known as Pine Flat, and vicinity, located approximately two miles southeast of California Hot Springs, Tulare County.

RATES

Quantity Rates:

For all water, per 100 cu.ft.	\$ 7.41	(I)
-------------------------------	---------	-----

Service Charge:

For	5/8 x 3/4-inch meter	\$ 20.03	(I)
For	3/4-inch meter	\$ 30.04	
For	1-inch meter	\$ 50.06	
For	1-1/2-meter	\$ 100.13	
For	2-inch meter	\$ 160.21	
For	3-inch meter	\$ 300.39	
For	4-inch meter	\$ 500.64	
For	6-inch meter	\$ 1,001.29	(I)

This Service Charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12 month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the residents may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

2. The established billing cycle for water used is monthly.

(cont.)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX B

Page 4

Del Oro Water Company
California Pines District –*Pine Mountain Service Area*

Schedule No. CP-1B
ANNUAL GENERAL METERED SERVICE
TEST YEAR 2011

SPECIAL CONDITIONS

3. The opening bill for the meter service, except upon conversion from flat rate service shall be established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continues for at least one year after the date of the initial service, no refund of the initial annual charges shall be due the customers.
4. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
5. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
6. A late charge will be imposed per Schedule No. LC.
7. As authorized by the California Public Utilities Commission (CPUC), all bills are subject to a one-time surcharge of \$1.75 over approximately (18) billing cycles at upon approval of Advice Letter No. 296. This charge offsets the expenses resulting from the Environmental Protection Agency's adopted National Primary Drinking Water Regulations for water testing for the period January 1, 2010 through December 31, 2010.

(cont.)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX B

Page 5

Del Oro Water Company
California Pines District - *Pine Mountain Service Area*

Schedule No. CP – 1B
ANNUAL GENERAL METERED SERVICE
ESCALATION YEAR 2012

APPLICABILITY

Applicable to all metered water service furnished to the portion of the Pine Mountain service area.

TERRITORY

Tract Nos. 416 and 455 in Rainbow Ranch and Tract Nos. 438 and 455, and vicinity, located approximately one mile east of Pine Flat, Tulare County.

RATES

Quantity Rates:

For all water, per 100 cu.ft.	\$	9.50	(I)
-------------------------------	----	------	-----

Service Charge:

For	5/8 x 3/4-inch meter	\$	25.67	(I)
For	3/4-inch meter	\$	38.51	
For	1-inch meter	\$	64.19	
For	1-1/2-meter	\$	128.37	
For	2-inch meter	\$	205.39	
For	3-inch meter	\$	385.11	
For	4-inch meter	\$	641.85	
For	6-inch meter	\$	1,283.70	(I)

This Service Charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12 month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the residents may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The established billing cycle for water used is monthly.

(END OF APPENDIX B)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX C

Page 1

Del Oro Water Company
California Pines District

Comparison of Rates Test Year 2011 - Pine Flat Service Area

	Pine Flat				
	COMPARISON OF RATES				
	TEST YEAR 2011				
		Tariff Rates		Recommended Increase	
	<u>Tariff Description</u>	<u>Current</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
	Service Charge:				
	5/8 x 3/4 inch meter	\$31.95	\$33.89	\$1.94	6.1%
	3/4-inch meter	\$47.92	\$50.83	\$2.91	6.1%
	1-inch meter	\$79.86	\$84.72	\$4.86	6.1%
	1-1/2 inch meter	\$159.73	\$169.45	\$9.72	6.1%
	2-inch meter	\$255.56	\$271.12	\$15.56	6.1%
	3-inch meter	\$479.18	\$508.35	\$29.17	6.1%
	4-inch meter	\$798.63	\$847.24	\$48.61	6.1%
	6-inch meter	\$1,597.26	\$1,694.48	\$97.22	6.1%
	Quantity Charge:				
	All use per 100 cubic feet	\$6.13	\$9.26	\$3.13	51.1%
	A monthly bill comparison for a customer with a 5/8 x 3/4 meter is shown below:				
		Tariff Rates		Recommended Increase	
	<u>Usage 100 cu. Ft.</u>	<u>Current</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
	0	\$31.95	\$33.89	\$1.94	6.1%
part time avg usage	0.689	\$36.17	\$40.27	\$4.10	11.3%
full time avg usage	3.773	\$55.08	\$68.83	\$13.75	25.0%
	5	\$62.60	\$80.19	\$17.59	28.1%
	10	\$93.25	\$126.49	\$33.24	35.6%

(cont.)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX C

Page 2

Del Oro Water Company
California Pines District

Comparison of Rates Test Year 2011 - Pine Mountain Service Area

	Pine Mountain				
	COMPARISON OF RATES				
	TEST YEAR 2011				
		Tariff Rates		Recommended Increase	
	<u>Tariff Description</u>	<u>Current</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
	Service Charge:				
	5/8 x 3/4 inch meter	\$17.60	\$20.03	\$2.43	13.8%
	3/4-inch meter	\$26.41	\$30.04	\$3.63	13.7%
	1-inch meter	\$44.04	\$50.06	\$6.02	13.7%
	1-1/2 inch meter	\$88.05	\$100.13	\$12.08	13.7%
	2-inch meter	\$140.88	\$160.21	\$19.33	13.7%
	3-inch meter	\$264.17	\$300.39	\$36.22	13.7%
	4-inch meter	\$440.29	\$500.64	\$60.35	13.7%
	6-inch meter	\$880.56	\$1,001.29	\$120.73	13.7%
	Quantity Charge:				
	All use per 100 cubic feet	\$4.49	\$7.41	\$2.92	64.9%
	A monthly bill comparison for a customer with a 5/8 x 3/4 meter is shown below:				
		Tariff Rates		Recommended Increase	
	<u>Usage 100 cu. Ft.</u>	<u>Current</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
	0	\$17.60	\$20.03	\$2.43	13.8%
part time avg usage	1.45	\$24.11	\$30.77	\$6.66	27.6%
full time avg usage	4.21	\$36.50	\$51.23	\$14.73	40.4%
	5	\$40.05	\$57.08	\$17.03	42.5%
	10	\$62.50	\$94.13	\$31.63	50.6%

(cont.)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX C**Page 3****Del Oro Water Company
California Pines District****Comparison of Rates
Escalation Year 2012- Pine Mountain Service Area**

	Pine Mountain				
	COMPARISON OF RATES				
	Escalation Year 2012				
		Tariff Rates		Recommended Increase	
	<u>Tariff Description</u>	<u>TY 2011</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
	Service Charge:				
	5/8 x 3/4 inch meter	\$20.03	\$25.67	\$5.64	28.2%
	3/4-inch meter	\$30.04	\$38.51	\$8.47	28.2%
	1-inch meter	\$50.06	\$64.19	\$14.13	28.2%
	1-1/2 inch meter	\$100.13	\$128.37	\$28.24	28.2%
	2-inch meter	\$160.21	\$205.39	\$45.18	28.2%
	3-inch meter	\$300.39	\$385.09	\$84.70	28.2%
	4-inch meter	\$500.64	\$641.85	\$141.21	28.2%
	6-inch meter	\$1,001.29	\$1,283.70	\$282.41	28.2%
	Quantity Charge:				
	All use per 100 cubic feet	\$7.41	\$9.50	\$2.09	28.2%
	A monthly bill comparison for a customer with a 5/8 x 3/4 meter is shown below:				
		Tariff Rates		Recommended Increase	
	<u>Usage 100 cu. Ft.</u>	<u>TY 2011</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
	0	\$20.03	\$25.67	\$5.64	28.2%
part time avg usage	1.45	\$30.77	\$39.45	\$8.68	28.2%
full time avg usage	4.21	\$51.23	\$65.67	\$14.44	28.2%
	5	\$57.08	\$73.17	\$16.09	28.2%
	10	\$94.13	\$120.67	\$26.54	28.2%

(END OF APPENDIX C)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX D

Page 1

**Del Oro Water Company
California Pines District**

**Adopted Quantities
Test Year 2011**

1. Purchased power	
Vendor	Southern California Edison
Schedule	PA-1 Agricultural and
Effective Date	June, 2011
URG Generation	74.74%
DWR Generation	25.26%
Energy Charge:	
Delivery Rate	\$0.04407
URG Generation Rate	\$0.09689
DWR Generation Rate	\$0.03952
Customer Charge per Meter	\$44.41
Service Charge per HP	\$2.22
KWH Used	33,687
Number of	2
Total Horsepower Billed	19
Total Cost	\$5,832
Composite Energy Cost (\$/KWH)	\$0.17313
2. Water Sales	9,888 Ccf
3. Payroll	
Employee Labor	\$15,151
Office Salaries	\$17,908
Management Salaries	\$ 4,193
4. Payroll Taxes	\$ 3,228
5. Property Taxes	\$ 1,072
6. Service Connections	
5/8-inch by 3/4-inch	286
3/4 -inch	1
1-inch	<u>1</u>
Total	288

(cont.)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

APPENDIX D

Page 2

**Del Oro Water Company
California Pines District**

INCOME TAX CALCULATIONS

Test Year 2011

Operating Revenues	\$186,196
Operating Expenses	\$ 92,935
Depreciation	\$ 15,415
Taxes Other than Income	\$ 4,300
Taxable Income for State	\$ 73,545
State Tax	\$ 6,501
Taxable Income for Federal	\$ 67,044
Federal Tax	\$ 11,761

Escalation Year 2012

Operating Revenues	\$201,100
Operating Expenses	\$ 92,935
Depreciation	\$ 15,415
Taxes Other than Income	\$ 4,300
Taxable Income for State	\$ 88,449
State Tax	\$ 7,819
Taxable Income for Federal	\$ 80,630
Federal Tax	\$ 15,664

(END OF APPENDIX D)

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail this day served a true copy of Proposed Resolution No. W-4954 on all parties in these filings or their attorneys as shown on the attached list.

Dated June 18, 2013, at San Francisco, California.

/s/ DANIEL SONG
Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

PROPOSED RESOLUTION

DWA/RSK/BMD/EVW/DS4

AGENDA ID #12184 (Rev. 2)

ITEM #2

**SERVICE LIST OF DRAFT
RESOLUTION W-4954**

Vavrinek, Trine, Day & Co.
Mr. Leonard Danna
260 Sheridan Avenue, Ste. 440
Palo Alto, CA 94306
1-650-462-0400
ldanna@vtdcpa.com

California Public Utilities Commission
Division of Ratepayer Advocates
dra_water_al@cpuc.ca.gov

California Hot Springs Water Service
P.O. Box 146
CA Hot Springs, CA 93207
No E-Mail

Tara Campbell, DOWC Website Coordinator
tlc@corporatecenter.us

Kern County Administrator
Mr. John Nilon
1115 Truxton Avenue
Bakersfield, CA 93301
1-661-868-3198
jnilon@co.kern.ca.us

California Water Service
Mr. Mike McMasters
3725 South "H" Street
Bakersfield, CA 93304
1-661-837-7200
mmcmasters@calwater.com

Cheryl Carter, DOWC Billing
cmc@corporatecenter.us

Michelle Rasmussen, Staff Accountant
mdr@corporatecenter.us